

# FINAL BILL REPORT

## SHB 1887

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Synopsis as Enacted

**Brief Description:** Modifying exemptions to the litter tax.

**Sponsors:** By House Committee on Finance (originally sponsored by Representatives Hasegawa, Orcutt and Chase).

**House Committee on Finance**

**Senate Committee on Water, Energy & Environment**

**Senate Committee on Ways & Means**

### **Background:**

*The Litter Tax.* The litter tax, at a rate of 0.015 percent, applies to the value of certain products manufactured and sold within the state and to the gross proceeds of certain products sold at wholesale or retail. The tax applies to the following categories of products:

- food for human or pet consumption;
- groceries;
- cigarettes and tobacco products;
- soft drinks and carbonated waters;
- beer and malt beverages;
- wine;
- newspapers and magazines;
- household paper and paper products;
- glass containers;
- metal containers;
- plastic or fiber containers;
- cleaning agents and toiletries; and
- sundry products of drugstores other than drugs.

Tax receipts are deposited to the Waste Reduction, Recycling, and Litter Control Account. Funds are used by the Department of Ecology for a litter patrol program employing youth to clean up public places and for public education and awareness programs relating to litter control and recycling, including development of markets for recycled products and cost of litter tax compliance. In fiscal year 2004, almost \$7 million in collections were reported.

In 2003, the Legislature enacted an exemption from the litter tax for food and beverages sold for consumption indoors on a business's premises. The exemption does not explicitly address certain similar situations, such as sales of food courts in malls, where food may be eaten in areas that are adjacent to restaurants but that are not actually owned by the restaurants, or in

areas such as patios and other outdoor facilities that are part of a business's premises made available for dining.

*Excise Taxation of Caterers.* For excise tax purposes, caterers are treated like other restaurants that sell food at retail. Catering sales are subject to the retail sales tax, irrespective of where the caterer prepares the food and whether the caterer or the customer provides the ingredients for the food preparation. Caterers are also subject to the litter tax, even if the food and drink are provided in multiuse containers or on servingware that is the property of the caterer.

**Summary:**

Sales of food or drinks are exempt from the litter tax if the items are sold for immediate consumption either indoors or outdoors at a seller's place of business or for immediate consumption indoors in an eating area adjacent to the seller's place of business. Sales of food or drinks are exempt from the tax if the items are sold by a caterer, served in containers that are designed to be used more than one time, and served on premises that are occupied or controlled by the customer.

**Votes on Final Passage:**

House	96	0
Senate	40	0

**Effective:** July 24, 2005